

LEASE AGREEMENT
BETWEEN
CIRCLE PROPERTIES, INC.
AND
MONTGOMERY COUNTY, MARYLAND

DATED 10.15.97

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EXHIBIT A - Leased Premises

G/538
Termin 12/17/02

LEASE AGREEMENT

THIS AGREEMENT, entered into this 15 day of Oct, 1997, by and between, the CIRCLE PROPERTIES, INC., (hereinafter referred to as "Lessor") and MONTGOMERY COUNTY, MARYLAND, (hereinafter referred to as "Lessee").

WITNESSETH:

In consideration of the rent hereinafter reserved, and the covenants hereinafter contained, the parties hereto mutually agree as follows:

1. PREMISES: Lessor does hereby lease and demise unto Lessee and Lessee hereby leases from Lessor the premises described as approximately 1,695 square feet of space on the third floor of the building located at 47 State Circle, Annapolis, Maryland 21401, as outlined in red on "Exhibit A" attached hereto and made a part hereof. Said space is hereinafter referred to as the "Leased Premises".
2. TERM: The term of this Lease shall be five (5) years, to commence on or about December 8, 1997 and terminates midnight December 7, 2002. After the end of the third lease year, Lessee shall have the right to terminate this Lease and all obligations thereunder, on the last day of any month, by providing to Lessor one hundred twenty (120) days' notice of Lessee's intention to terminate.
3. BASE RENT: Lessee shall pay or cause to be paid to Lessor the annual amount of FORTY THOUSAND FIVE HUNDRED FORTY-FOUR AND 40/100 (\$40,544.40) DOLLARS, payable in equal monthly installments of THREE THOUSAND THREE HUNDRED SEVENTY-EIGHT AND 70/100 (\$3,378.70) DOLLARS. All payments are to be made in advance on the first day of each month during each lease year, and shall be payable to Circle Properties, Inc. In the event that the Lease is terminated prior to the end of any full lease year, the annual rent shall be prorated accordingly.
4. RENT ADJUSTMENT: It is agreed between the parties that the base rent payable by the Tenant as set forth in Paragraph 3 hereinabove shall be adjusted at the beginning of the second (2nd) lease year, and each year thereafter, based on an increase of three percent (3.0) of the previous year's base rent.

5. OPERATING COSTS:

- A. Operating Costs shall mean and include all costs and expenses which Lessor shall pay in connection with the services provided to the Leased Premises as delineated in Paragraph 8 herein.
- B. Operating Costs shall not, however, include interest of debt, capital retirement of debt, costs properly chargeable to capital-accounts and salaries of the executives of the Lessor.
- C. Lessor and Lessee agree that the Lessee's pro-rata share of electrical costs shall be based on the meter shared by Lessee with the tenant immediately adjacent to the Leased Premises, which meter is hereby identified as Meter-

Account # 86807 # 70001. Lessee's pro-rata share of electrical costs is hereby determined to *49.2%* in accordance with the following computation:

$$\frac{1695 \text{ leased square feet}}{2712 \text{ square feet serviced by Meter \# } *Account \# 86807-70001* }$$

6. REAL ESTATE TAXES:

- A. Lessee agrees to pay, as additional rent hereunder, a sum equal to Lessee's proportionate share of real estate taxes which may be levied or assessed by lawful taxing authorities against the building and the land upon which it is located.
- B. "Real estate taxes" shall be deemed to mean all city, county, town and village taxes, special or general, ordinary or extraordinary, assessments, excises, levies, and other governmental charges which shall be imposed upon or become due and payable or become a lien upon the premises or any part thereof, by any Federal, state municipal, or other governmental or public authority under existing law, or practice or under any future law or practice. The real estate taxes for any calendar year shall mean the real estate taxes actually paid or due to be paid during such calendar year.
- C. Lessee's proportionate share of real estate taxes shall be determined for each calendar year by multiplying the real estate taxes for such calendar year by a fraction, the numerator of which shall be the floor area of the premises, and the denominator of which shall be the floor area of all rentable space in the

Building. Lessee's liability for Lessee's proportionate share of real estate taxes and assessments for the calendar years during which this Lease commences and terminates shall in all events by subject to a pro-rata adjustment based on the number of days of said calendar year during which the term of this Lease is in effect. Lessor and Lessee agree Lessee's pro-rata share of said real estate taxes for the building is 11.5%, in accordance with the following computation:

$$\frac{1695 \text{ leased square feet}}{14,680 \text{ square feet in building}} = 11.5\%$$

- D. Lessee shall pay to Lessor Lessee's proportionate share of real estate taxes (as hereinbefore defined) only upon presentation by Lessor of documentation to that effect, including copies of paid tax bills within thirty (30) days of receipt of evidence that Lessor has made payment to the taxing authority.
- E. If the operation of any foregoing provisions result in payment of Lessee's proportionate share of real estate taxes for calendar years extending beyond the term of this Lease, Lessor, within thirty (30) days following the expiration of the term of this Lease, shall reimburse Lessee any such amount, subject to accounting of the setoff and approval by Lessee.

7. CONSTRUCTION: The Leased Premises are accepted "as configured" as shown in the attached Exhibit A, and in current condition.

8. SERVICES:

- A. Lessor shall be responsible for full service maintenance and repair of the Leased Premises and the building of which they are a part.
- B. Lessor shall provide regular janitorial services within the Leased Premises, Monday thru Friday, when Lessee occupies the Premises (from January through May) and shall provide lavatory supplies, fluorescent tube replacement, refuse removal, and pest control services as required.
- C. Lessor shall provide full service maintenance, cleaning and upkeep of all common areas within the Building, including but not limited to the removal or treatment of snow and ice from sidewalks, approaches to parking areas,

and other exterior common areas of the building of which the Leased Premises are a part.

- D. Lessor shall provide during normal business hours (ie. weekdays 8:00 a.m. to 8:00 p.m. and Saturdays 9:00 a.m. to 1:00 p.m., excluding Federal holidays): reasonably adequate electric current for normal office equipment; water; heat and air conditioning during the appropriate seasons of the year in amounts and quantities sufficient to maintain in a balanced, comfortable manner all spaces occupied by the Lessee.

9. USE: Lessee covenants and agrees that said premises shall be used and occupied by the Montgomery County Government as general government offices and for no other purposes. Lessee shall have the right to occupy and use the premises 24 hours a day, seven days a week.

10. PROPERTY DAMAGE AND LIABILITY INSURANCE:

- A. Lessee shall obtain and maintain, during the full term of this Agreement and any extension thereof, a policy of public liability insurance with bodily injury limits of FIVE HUNDRED THOUSAND (\$500,000.00) DOLLARS for injury (or death) to one person, FIVE HUNDRED THOUSAND (\$500,000.00) DOLLARS per occurrence, and property damage insurance with a limit of ONE HUNDRED THOUSAND (\$100,000.00) DOLLARS.
- B. Lessee agrees that it will not keep in or upon the Leased Premises any article which may be prohibited by the standard form of fire or hazard insurance policy. In the event Lessee's occupancy causes any increase in the insurance premiums for the Leased Premises or any part thereof, Lessor shall pay the additional premiums as they become due.
- C. Lessee will indemnify Lessor and save it harmless from and against any and all claims, action, damages, liability and expense in connection with loss of life, personal injury and/or damage to property arising from or out of any occurrence upon or at the Leased Premises, or the occupancy or use by Lessee of the Leased Premises or any part thereof, or the Lessee's use of the exterior areas provided by Lessor for the comfort and convenience of Lessee, occasioned wholly or in part by any act or omission of Lessee, its agents, contractors, or employees, excepting claims arising out of the acts or

omissions of the Lessor, the Lessor's agents, and employees. Lessee shall indemnify Lessor against any penalty, damage or charge incurred or imposed by reason of Lessee's violation of any law or ordinance. In case Lessor shall, without fault on its part, be made a party to any litigation commenced by or against Lessee, then Lessee shall protect and hold Lessor harmless.

- D. Lessee further agrees that all personal property in the Leased Premises shall be and remain at Lessee's sole risk, and Lessor shall not be liable for any damage to or loss of such personal property excepting damage arising out of the acts or omissions of the Lessor, Lessor's agents, and employees.
- E. Lessee shall deliver to Lessor a certificate of insurance evidencing the coverage hereinabove described within thirty (30) days from execution of this Agreement. Lessee reserves the right to self insure. Lessee and Lessor hereby waive any right of subrogation against the other to the extent that the liability arises from a cause covered by insurance and only to the extent of the insurance proceeds recovered, and provided that the parties' insurance policies permit such a waiver.

11. ALTERATIONS: Lessee will not make any alterations, additions, or improvements of any kind to the Leased Premises without the Lessor's written consent, which consent shall not be unreasonably withheld. All alterations, additions, or improvements made by either of the parties hereto upon the premises shall become the property of the Lessor and shall remain upon and be surrendered with the premises upon the termination of this Lease. Lessee shall, with Lessor's written consent, have the right to install any furniture or office machinery necessary in the conduct of its business within the Leased Premises, and the same shall remain the property of the Lessee, and may be removed by Lessee upon the termination of this Lease.

12. NOTICE OF DEFECTS: Lessee shall provide Lessor with prompt notice of accidents on or damages to the structure, equipment, or fixtures of the Leased Premises, or defects in the roof, plumbing, electric and heating systems, to be remedied by Lessor.

13. ASSIGNMENT AND SUBLEASING: Lessee shall not have the right to transfer possession or occupancy of the Leased Premises, nor sublet or assign this Lease to any person or persons without the written consent of the Lessor. Lessor's consent shall not be unreasonably or unduly withheld. The consent by Lessor to any such assignment or subleasing shall not be construed

as a waiver or release of Lessee from the terms of any covenant or obligation under this Lease, nor shall the collection or acceptance of rent from any such assignee or sublessee constitute a waiver or release of Lessee from any covenant or obligation contained in this Lease, nor shall any such assignment or subleasing be construed to relieve Lessee from obtaining the consent in writing of Lessor to any further assignment or subleasing.

14. LESSEE'S COVENANTS: Lessee covenants and agrees:

- A. To pay to Lessor the rent herein stated during the term hereof and until possession of the Leased Premises is redelivered to Lessor.
- B. Not to strip or overload, damage or deface the Leased Premises or hallways, stairways, elevators or other approaches thereto.
- C. Not to suffer or permit any trade or occupation to be carried on or use made of the premises which shall be unlawful, noisy, offensive or injurious to any person or property, or such as to increase the danger of fire or make void or voidable any insurance on said Building.
- D. Not to move any furniture or equipment into or out of the premises without Lessor's consent thereto, which consent shall not be unreasonably withheld.
- E. Not to place upon the interior or exterior of the Building or any window or other part thereof or door of the Leased Premises any placard, sign, covering or drapes, except such and in such place as shall have been first approved by Lessor, which approval shall not be unreasonably withheld.
- F. To conform to all rules and regulations from time to time established by appropriate insurance rating organizations, and to all reasonable rules and regulations from time to time established by Lessor.

15. DESTRUCTION OF PREMISES: In the event of damage or destruction of the Leased Premises by fire or any other casualty, this Lease shall not be terminated, but the premises shall be promptly and fully repaired and restored as the case may be by the Lessor at its own cost and expense. Due allowance, however, shall be given for reasonable time required for adjustment and settlement of insurance claims, and for such other delays as may result from government restrictions, and controls on construction, if any, and for strikes, national emergencies and other

conditions beyond the control of the Lessor. It is agreed that in the event of damage or destruction, this Lease shall continue in full force and effect, except for abatement of rent as provided herein. If the condition is such as to make the entire premises untenable, then the rental which the Lessee is obligated to pay hereunder shall abate as of the date of the occurrence until the premises have been fully restored by the Lessor. Any unpaid or prepaid rent for the month in which said condition occurs shall be prorated. If the premises are partially damaged or destroyed, then during the period that Lessee is deprived of the use of the damaged portion of said premises, Lessee shall be required to pay rental prorated to reflect that portion of the premises which it is able to occupy. Lessor will proceed at its expense and as expeditiously as may be practicable to repair the damage, unless, because of the substantial extent of the damage or destruction, Lessor should decide not to repair or restore the premises or the building, in which event and at Lessor's sole option, Lessor may terminate this Lease forthwith, by giving Lessee a written notice of its intention to terminate within ninety (90) days after the date of the casualty. No compensation, or claim, or diminution of rent other than as described above will be allowed or paid, by Lessor, by reason of inconvenience, annoyance, or injury to business, arising from the necessity of repairing the Leased Premises or any portion of the building of which they are a part.

16. DELIVERY OF THE PREMISES: Lessee covenants at the expiration or other termination of this Lease, to remove all goods and effects from the Leased Premises not the property of Lessor, and to yield to Lessor the Leased Premises and all keys, locks and other fixtures connected therewith (except trade fixtures and other fixtures belonging to Lessee), in good repair, order and condition in all respects, reasonable wear and use thereof and damage by fire or other casualty and damage from any risk for which Lessee is not herein expressly made liable excepted.

17. DEFAULT:

- A. By Lessee: In the event that rent, or any installment thereof, shall remain unpaid after it becomes due and payable, within ten (10) days after written notice to the Lessee for same, or if Lessee or Lessee's assigns shall fail or neglect to keep and perform each and every one of the terms of this Lease, and such failure or neglect continues for more than thirty (30) days (or such period as may reasonably be required to correct the default with exercise of due diligence), after written notice to Lessee from the Lessor specifying the default, then at the option of the Lessor, the Lessor and his assigns may proceed to recover possession under the laws of the State of Maryland.

- B. By Lessor: In the event that the Lessor or his assigns shall fail or neglect to keep and perform each and every one of the covenants, conditions, and agreements contained herein, and such failure or neglect is not remedied within thirty (30) days (or such period as may reasonably be required to correct the default with exercise of due diligence) after written notice from the Lessee or his assigns specifying the default, then the Lessee or his assigns, at Lessee's option, may pursue any and all legal remedies available to Lessee.
- C. No default as hereinbefore provided shall be deemed complete unless at the time Lessor or Lessee seeks to take any action based upon such alleged default the same shall remain uncured.

18. HOLDOVER: In the event Lessee continues to occupy the Leased Premises or any part thereof after the conclusion of the term of this Lease, Lessee's tenancy shall be deemed to be upon a month-to-month basis. The tenancy thus created shall be subject to all applicable terms and conditions of this Lease, including any rental increases pursuant to the provisions of Paragraph 4 hereof, and may be terminated by either party providing the other not less than sixty (60) days' written notice, to expire on the day of the month from which the tenancy commenced.

19. QUIET POSSESSION: Contingent on the performance of all covenants, conditions and agreements herein contained to be performed on Lessee's part, Lessee shall at all times during the term of this Lease have the peaceable and quiet enjoyment and possession of the Leased Premises for the purposes herein cited.

20. STATUTORY PROVISIONS: It is understood, agreed and covenanted by and between the parties hereto that the Lessor and Lessee, as their interests may appear and at their respective expense, will promptly comply with, observe and perform all of the requirements of all the statutes, ordinances, rules, orders and regulations now in effect or hereinafter promulgated whether required by the Federal government, the State of Maryland, the Anne Arundel County government, the City of Annapolis government, or the City of Annapolis Fire Marshal's Office, and whether required of the Lessor or the Lessee.

21. WAIVER: The waiver at any time by the Lessor or Lessee of any particular covenant or condition of this Lease shall extend to the particular case only, and for the particular time and in the particular manner specified, and such waiver shall not be construed or understood as waiving any further or other rights of any character whatsoever.

22. NON-DISCRIMINATION: Lessor agrees to comply with the non-discrimination in employment policies in County contracts as required by Section 11B-3 and Section 27-19 of the Montgomery County Code 1994, as amended, as well as all other applicable state and federal laws and regulations regarding employment discrimination. The Lessor assures the County that in accordance with applicable law, it does not, and agrees that it will not discriminate in any manner on the basis of age, color, creed, national origin, race, religious belief, sexual preference or handicap.

23. NON-APPROPRIATION: This lease is subject to the annual appropriation of funds. This lease shall terminate automatically on July 1 of any year for which Montgomery County, for whatever reason, does not appropriate funds to pay the rent herein stated. Lessee shall give Lessor at least thirty (30) days written notice of the lack of appropriation. The Lessor shall not make or be entitled to any claim for reimbursement of any kind, whether for improvements or prepaid items for any amount of money for which there has been no appropriation of funds.

24. CONTRACT SOLICITATION: Lessor represents that it has not retained anyone to solicit or secure this Lease from Montgomery County, Maryland, upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, except for bona fide employees or bona fide established, licensed commercial selling or leasing agencies maintained by the Lessor for the purpose of securing business or an attorney rendering professional legal service consistent with applicable canons of ethics.

25. PUBLIC EMPLOYMENT: Lessor understands that unless authorized under Section 11B-46 or 11B-54 of the Montgomery County Code 1994, as amended, it is unlawful for any person transacting business with Montgomery County, Maryland, to employ a public employee for employment contemporaneous with his or her public employment.

26. CONDEMNATION: In the event that the premises, or any part thereof, or more than twenty-five percent (25%) of the building of which the Leased Premises are a part is taken or condemned for public use or purpose by any competent authority, Lessee shall have no claim against the Lessor and shall not have any claim or right to any portion of the amount that may be awarded as damages or paid as a result of any such condemnation; and all rights of the Lessee to damages

therefore, if any, are hereby assigned by the Lessee to the Lessor. The foregoing notwithstanding, Lessee shall be entitled to claim, prove and receive in the condemnation proceedings such awards as may be allowed for relocation expenses and for fixtures and other equipment installed by Lessee which shall not, under the terms of this Lease, be or become the property of Lessor at the termination hereof, but only if such an award is made by condemning authorities in addition to and stated separately from the award made for the land and the building or parts thereof so taken. Upon such condemnation or taking, the term of this Lease shall cease and terminate from the date of such governmental taking or condemnation and the Lessee shall have no claim against the Lessor for the value of any unexpired term of this Lease.

27. ENTIRE AGREEMENT: It is further understood and agreed that this instrument contains the entire agreement between the parties hereto and shall not be modified in any manner except by an instrument in writing duly executed by the parties hereto.

28. CONSTRUCTION AND REMODELING: In the event Lessee requires any additional construction or remodeling during the term hereof, Lessee shall provide Lessor with plans and specifications of said work. Upon receipt of Lessor's written approval of the Lessee's plans and specifications, Lessee may proceed to perform the work at Lessee's expense, or at Lessee's option, Lessee may require Lessor to perform said work at Lessee's expense and at negotiated prices. Lessee shall pay for any work performed by Lessor on Lessee's behalf within thirty (30) days from the submission of an invoice by Lessor for work satisfactorily completed, as additional rent hereunder.

29. SUBORDINATION: Lessor shall have the absolute right to encumber the premises set forth in this Lease and the Lease, at the option of Lessor, shall be subordinate to such encumbrance or encumbrances. Lessee agrees to sign all papers for subordination when requested, provided such subordination shall be upon the express condition that the Lease shall be recognized by the holder of the encumbrance and the rights of Lessee shall remain in full force and effect during the initial lease term or any extension thereof. In the event of a sale or transfer of the title to the aforesaid land and premises, any transferee shall be entitled to have this Lease subordinated to the lien and effect of any first deed of trust or mortgage to secure purchase money. Lessee agrees to execute any subordination documents required by Purchaser, subject only to the reservations recited in this paragraph.

30. BENEFIT AND BURDEN: The provisions of this Lease shall be binding upon, and shall inure to the benefit of the parties hereto and each of their respective representatives, successors and assigns.

31. MAIL NOTICES: All notices required or desired to be given hereunder by either party to the other shall be given by certified or registered mail, postage prepaid, addressed to Lessor or Lessee, respectively. Notices to the respective parties shall be addressed as follows:

LESSOR:

Circle Properties, Inc.

~~113 Main Street~~

~~Annapolis, Maryland 21401~~

% John W. Jeffery
13 Chesapeake Landing
Annapolis, Md 21403

LESSEE:

Montgomery County, Maryland

Division of Facilities & Services

Leasing Management

110 N Washington Street, Room 318

Rockville, Maryland 20850

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be properly executed.

WITNESS:

By: _____

LESSOR:

CIRCLE PROPERTIES, INC.

By: _____

Title: _____

Date: _____

WITNESS:

By: _____

LESSOR:

MONTGOMERY COUNTY, MARYLAND

By: _____

GORDON AOYAGI, SENIOR ASSISTANT
CHIEF ADMINISTRATIVE OFFICER

Date: _____

APPROVED AS TO FORM & LEGALITY
OFFICE OF THE COUNTY ATTORNEY

By: _____

RECOMMENDED

By: _____

REY JUNQUERA, LEASING MANAGER
DIVISION OF FACILITIES AND SERVICES

Date: _____

Date: _____

DISK4\47STATE.LSE

6005

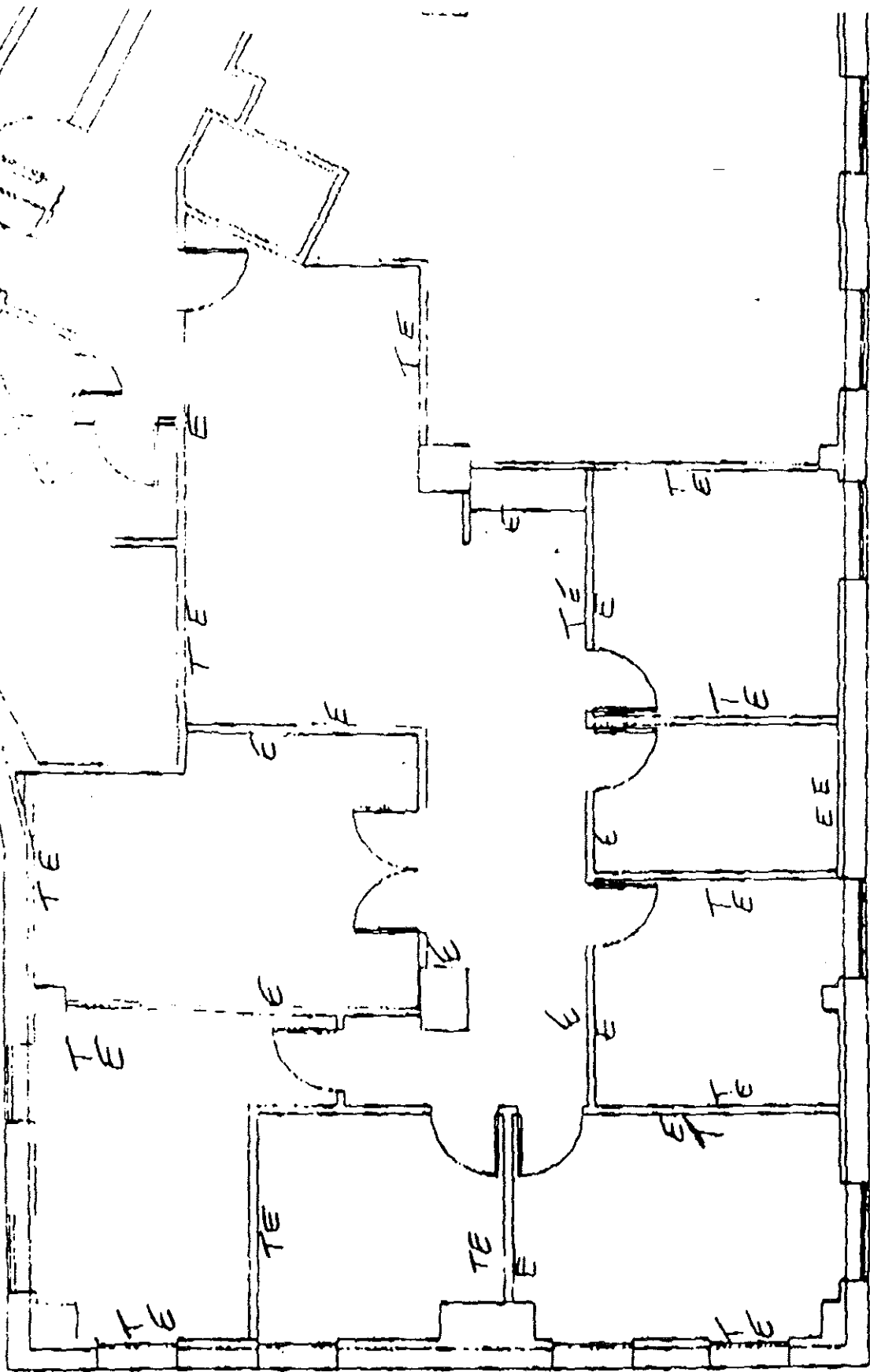


EXHIBIT A